

Overview

In the final quarter of 2016 the industrial & logistics market in Romania maintained the same positive trend. Demand continued to be strong, being higher by 40% q-o-q. Given the increase in retail sales – 10.5%, demand generated by companies active in the Retail, E-commerce and Logistics & Distribution sectors had a major contribution to the leasing market. The rental level have remained stable, prime headline rents being around 4.25 €/sq. m/month.

Occupier focus

In Q4 2016, approximately 150,000 sq. m were transacted, with 36% more compared with the same period last year. Net take-up equals gross take-up, given that no renewals or renegotiations deals were recorded.

In Bucharest demand for industrial and logistics spaces was of 100,000 sq. m, representing 65% from the take-up recorded in Q4 2016 throughout Romania. The rest of almost 50,000 sq. m were leased in regional markets. The most active markets outside Bucharest were Cluj Napoca (16%), Timisoara (14%) and Brasov (5%).

The most dynamic occupiers were companies active in Retail and E-commerce, with a share of ~34% each, followed by Logistics & Distribution – 17%.

Investment focus

After a six-month period of stagnation, investment in the industrial & logistics market in Romania improved, attracting investors' interest. GIC, the sovereign fund of Singapore, acquired the P3 Logistics Park in Bucharest, a project with a total GLA of 305,000 sq. m. The estimated value of the transaction is 180 million euros. Prime industrial yields remained at 8.80%.

Outlook

Given the economic growth based on private consumption and investments, industrial market in Romania will continue the same uptrend. Considering the high level of demand that will maintain the same pace, more than 400,000 sq. m of new industrial & logistics spaces are expected to be delivered in the following year. At the end of Q4 2017, the industrial & logistics stock in Romania will be higher by ~18%.

MARKET INDICATORS

Market Outlook

Prime Rents:	Considering the pipeline, the rental level is not expected to change.	▶
Prime Yields:	Yields are forecasted to remain relatively stable going forward, given the limited number of projects available for sale	▶
Supply:	Level of supply is expected to be the highest recorded in the last seven years.	▶
Demand:	Economic growth and high increase in retail sales will boost demand for logistics spaces.	▶

Prime Industrial Rents – December 2016

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Bucharest	4.25	51.0	5.00	9.0	1.2
Brasov	3.75	45.0	4.41	10.3	0.8
Timisoara	3.75	45.0	4.41	10.3	0.8
Constanta	3.75	45.0	4.41	10.3	0.8

Prime Industrial Yields – December 2016

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Bucharest	8.80	8.80	9.00	12.00	7.50
Brasov	9.55	9.75	10.00	10.50	7.75
Timisoara	9.55	9.75	10.00	10.50	7.75
Constanta	9.55	9.75	10.25	10.50	7.75

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance

